

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

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TAGS: ELAB, PINT, PE

SUBJECT: GOP FACING LABOR DIFFICULTIES

REF: LIMA 7304

1. STALLED NEGOTIATIONS BETWEEN CENTROMIN (FORMER CERRO DE PASCO CORPORATION) AND MINERS WITH THE THREAT OF AN ECONOMICALLY DAMAGING STRIKE AND POSSIBLE GOP-MINER CONFRONTATION IS MAJOR CONTRIBUTING FACTOR TO A DIFFICULT LABOR SITUATION. AT SAME TIME, OTHER EVENTS ON LABOR SCENE ADD TO SENSE OF DISQUIET WHICH PORTEND GROWING PROBLEMS FOR GOP IN LABOR SECTOR.

2. NEGOTIATIONS BETWEEN CENTROMIN AND MINERS UNIONS HAVE BEEN BROKEN OFF BY LABOR MINISTRY APPARENTLY IN ATTEMPT TO FORCE MINERS' ACCEPTANCE OF LAST CENTROMIN OFFER, WHICH IN MONETARY TERMS, STILL LESS THAN ONE-HALF LAST UNION DEMAND. UNIONS HAVE REQUESTED MEETING WITH LABOR MINISTER AND PRESIDENT VELASCO TO DISCUSS MATTER. LABMIN SALAOROZCO HAS BEEN LESS THAN CONCILIATORY TOWARD UNION (SEE REFTTEL) BUT PRESIDENT VELASCO, WHO IN LAST PRESS CONFERENCE CALLED FOR REPLACEMENT OF THOSE CENTROMIN MANAGERS REFLECTING COLLECTIVE BARGAINING ATTITUDE OF FORMER "IMPERIALIST" COMPANY, MAY CHOOSE TO SEEK WAY OUT OF APPARENT

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IMPASSE. VELASCO, HOWEVER, HAS ALSO STATED THAT HE EXPECTS

WORKERS TO HONOR LAST YEAR'S PROMISE NOT TO STRIKE MINES AFTER THEY PASSED INTO PERUVIAN HANDS. MINE UNIONS HAVE INTERPRETED PROMISE DIFFERENTLY. STRIKES WILL CEASE WHEN MINES BECOME PROPERTY OF MINERS THEMSELVES -- A SITUATION NOT CONTEMPLATED BY GOP. IF SUMMIT MEETING WITH LABMIN AND PRESIDENT VELASCO DOES NOT OCCUR OR FAILS TO ACHIEVE SETTLEMENT, CENTROMIN MINES WILL ALMOST CERTAINLY BE STRICK THEREBY RAISING POSSIBILITY OF GOP-MINER CONFRONTATION AS WELL AS DANGER STRIKE MAY SPREAD TO MINES IN SOUTHERN PERU.

3. OTHER RECENT LABOR DEVELOPMENTS ADD TO DIFFICULT SITUATION. COMMUNIST-LED CGTP UNION, WHICH HAS SUPPORTED GOP AT POLITICAL LEVEL, HAS BEEN INCREASINGLY CONCERNED WITH WHAT MAY BE ORCHESTRATED GOP EFFORT TO WEAKEN UNION. OVER PAST YEAR, CGTP ACTIVISTS AT PLANT LEVEL HAVE BEEN FIRED BY EMPLOYERS WITH TACIT GOP ACCEPTANCE. IN ORDER TO TEST ITS STRENGTH AND PUT GOP ON NOTICE, THE CGTP WILL STAGE 24-HOUR PROTEST STRIKE SEPTEMBER 25. IN PUBLIC DECLARATION CGTP PROCLAIMED ITS COMPLETE IDENTIFICATION WITH GOALS OF GOP BUT CALLS UPON THE "GOVERNMENT OF THE ARMED FORCES" TO CORRECT ERRORS THROUGH PERSONAL INTERVENTION OF PRESIDENT VELASCO AND REINSTATEMENT DISMISSED UNION ACTIVISTS. UNION DECLARATION CITES CGTP HOPE OF AVOIDING AGGRAVATION OF PROBLEMS "BECAUSE WE REALIZE A WORKER-GOVERNMENT CONFRONTATION WILL BENEFIT NO ONE EXCEPT IMPERIALIST AND PARASITIC CASTES".

4. IN ADDITION TO SCHEDULED STRIKE OF CGTP ADHERENTS, CGTP AFFILIATED FEDERATION OF METAL WORKERS (FETIMP) CONTINUES STRIKE OF INDEFINITE DURATION IN SUPPORT OF DISMISSED COMRADES. STRIKE HAS BEEN PARTIALLY SUCCESSFUL IN THAT GOP HAS PROMISED TO REINSTATE SOME OF THOSE DISMISSED.

5. COMMENT: CENTROMIN MANAGER TOLD EMBOFFS THAT MOST LIKELY SCENARIO THERE IS A STRIKE FOLLOWED BY SETTLEMENT CONSIDERABLY HIGHER THAN THAT NOW OFFERED BY CONTROMIN. TOTAL COST WOULD BE 4-5 BILLION SOLES OR OVER U.S. \$100 MILLION. UNPREDICTABLE FACTORS ARE GOP REACTION TO STRIKE AND POSSIBLE SPEAD OF STRIKE ACTION.

6. STRIKES AND POTENTIAL LABOR UNREST ARE BECOMING MAJOR IRRITANTS FOR GOP WHICH HAS YET TO DEVISE AN EFFECTIVE RESPONSE. RECENT MEETING OF PRESIDENT VELASCO WITH MILITANT TEACHERS UNION LIMITED OFFICIAL USE

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(SUTEP) ESTABLISHED A PRECEDENT WHICH UNIONS HOPE TO GENERALIZE. BUT DIRECT INVOLVEMENT OF VELASCO IN NEGOTIATIONS AND ATTENTION TO GRIEVANCES LIKELY TO MEAN EITHER MORE GENEROUS SETTLEMENTS THAN ECONOMICALLY DESIRABLE FOR GOP OR GREATER RISKS OF PRESTIGE DAMAGING CONFRONTATION AS VELASCO BECOMES FINAL ARBITER.

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